STATEMENT

OF

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OF THE

DEPARTMENT OF TRANSPORTATION

BEFORE THE

MERCHANT MARINE AND FISHERIES COMMITTEE

ON THE

ADMINISTRATION OF THE CARGO PREFERENCE
LAWS BY THE MARITIME ADMINISTRATION

NOVEMBER 9, 1981

Mr. Chairman and Members of the Committee.

My name is Harold E. Shear, and I am the Maritime Administrator of the Department of Transportation. I am very pleased to appear before the Committee this afternoon with respect to the administration of our cargo preference laws by the Maritime Administration.

There are three Federal laws relating to cargo preference in general use today.

The first cargo preference law is the Cargo Preference Act of 1954 (46 U.S.C. 1241(b)), which requires at least 50 percent of Government generated cargoes to be shipped on privately-owned United States-flag commercial vessels. The Cargo Preference Act of 1954 is also referred to as Public Law 664.

The Cargo Preference Act of 1954 also provides the authority of the Department of Transportation to oversee such cargo preference Act. In this regard, the statute states as follows:

> "Every department or agency having responsibility under this subsection shall administer its programs with respect to this subsection under regulations issued by the Secretary of Transportation. The Secretary of Transportation shall review such administration and shall annually report to the Congress with respect thereto."

The second statute regarding cargo preference is Public Resolution 17 (15 U.S.C. 616a) which states that it is the "sense of Congress" that in any loans made by a Government agency to foster the export of agricultural or other products, provision

shall be made that such products shall be carried exclusively in vessels of the United States. The Maritime Administration administers Public Resolution 17 and, in appropriate cases, grants "waivers" to permit 50 per cent of the cargoes to be shipped on vessels of the importing country.

The third cargo preference law is the Cargo Preference Act of 1904 (10 U.S.C. 2631) that requires military cargoes to be shipped on vessels of the United States or belonging to the United States, whether or not such vessels are privately-owned, United States-flag commercial vessels. In this regard, it should be noted that the Cargo Preference Act of 1954, which I mentioned earlier, requires that 50 percent of such military cargoes be shipped on privately-owned, United States-flag commercial vessels.

It is clear, therefore, that the Maritime Administration plays an important role with respect to the administration of all three cargo preference laws.

To assure that applicable cargo preference statutes are followed, the Maritime Administration monitors the shipping activities of 67 Federal agencies, including the Export-Import Bank of the United States, and the Military Assistance Program and the Foreign Military Sales program of the Department of Defense.

Pursuant to regulations issued by the Maritime Administration, the various agencies are required to report on each shipment

subject to the cargo preference laws. These usually take the form of bills-of-lading, or equivalent documentation.

A computer-aided monitoring system and a concentrated interagency liaison program has permitted the Maritime Administration to process 31,172 ocean bills of lading for 1979 cargoes covering the Export-Import Bank, other civilian agencies, and Foreign Military Sales credit shipments. The equivalent of 21,500 additional bills of lading for Military Assistance Program and Foreign Military Sales cargoes also were processed by this system through the receipt from the Department of Defense of computer tape reels. Total 1979 documentation, including the DOD equivalents, increased by 23 percent over 1978 levels.

In the past, despite these efforts by the Maritime Administration, full compliance with applicable cargo preference laws has not been achieved. There have been instances when the full cooperation of the other agencies did not occur. However, this will not continue in the Reagan Administration.

Mr. Chairman. With respect to the sale of butter by the Department of Agriculture to the New Zealand Dairy Board, I am pleased to be able to inform you that an honest difference of opinion has been resolved to my satisfaction. Last Wednesday, I had a most cordial visit with the Honorable Richard E. Lyng, Deputy Secretary of the Department of Agriculture. Deputy Secretary Lyng is hopeful that the New Zealand Dairy Board will be responsive to the Department of Agriculture request that equal access be given

United States ships under this sale. Indeed, with 13,320 tons of butter shipped or booked as of October 28, 1981, 43 percent has been allocated to U.S.-flag vessels. As you know, there is an additional 87,000 tons of butter yet to be shipped.

In the future, Deputy Secretary Lyng and I will deal directly and personally, both on the remainder of the butter shipment to New Zealand, and in the very earliest stages of cargo development under programs administered by the Department of Agriculture. We believe that this will insure that appropriate consideration will be given at the highest levels to the requirements of our respective agencies and will result in a full and fair measure of such cargo moving on U.S.-flag ships.

In closing, Mr. Chairman, you have asked whether current enforcement authority of the Maritime Administration is adequate, or whether it needs improvement.

By and large, Mr. Chairman, we receive satisfactory cooperation from other agencies. Overall, I am satisfied that the existing procedures work reasonably well in order to insure that U.S.-flag carrriers adequately participate in these programs. Moreover, Secretary Lewis has been and will continue to be personally involved in these issues, and asks that I convey to this Committee his own endorsement of our cargo preference laws.

That concludes my prepared statement, Mr. Chairman, and I will be pleased to answer any questions that you or the Members of the Committee may have.